App. F. IX-4

Previous References

1932. (9:1)

File No. 14-32

Serial Nos. 1 to 7 + 9

Later References

L. T. 7-34-1 to 27.

Y. T. 4-no. (12, 576)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos.

Part B for February 19

SUBJECT.

Encroachment on the profits of the Assam Railways & Trading Co. in the Surma Valley

(Nos. 9)

To The Secretary to the Government of the Assam

No. 1261 (822 D) 27/ 19

Suggest that the question of the Assam Railways & Trading Co. be moved to refer the matter to arbitration in the circumstance explained

6355/32

General and Revenue Secretariat

[App. F. III—2

.T File No. of 193

From the Secy. to the Hon'ble the Resdt
Letter No. 3639 of 30/5/32
States that the question is under the consideration of the Govt of India & that orders will be communicated on receipt
Subt for information

Fg 9/6

Financial Secretary) Ce 4/6/32

1st Member) h 4.6.32
Dewan

New papers are getting torn - & if it is thought desirable that new maps should be printed. Mg 6-6-32 Mg 5/6/32 h

I presume, this has been done. A copy may be placed on file h 7.6.32

ages. A copy of printed collection is placed on file
Fg 8/6

6 Subd. with an extract from the report of the Indian States Enquiry Committee (Fin.) 1932 relating to the cession of jurisdiction over Ry. lands. Subd with a draft to the Residency, as per personal instructions of the Fl. Secy

(Read: Financial Secretary) W 3/8/32 7 Sec'ies)
Dy 8/32

(The chief Secy. also spoke to me in the matter & has kindly sent an extract from the Report at my request).

8 Two dfts for approval

TYPING SECTION 12 AUG. 1932

Secretariat—Contn. Sheet. 5 AUG. 1932 935

WD 70—GBPM—60,000—13-8-31.

10 Mr Fl. Secy & Dewan

Ld 3.8.32

Re: Levy of income tax in lands ceded for Railway purposes

T - File No. of 193 | General and Revenue Secretariat

Mine - the draft placed ... I resubmit file for obtaining instr. of the undersigned draft

- the Secy. to the Hon'ble the Resident (11.8.) 2

Letter No. pol-174-8/13/8/1932

invites reference to the recommendations of the Indian States Enquiry Committee & requests that orders of the Govt. of India may be obtained early.

13. Resolved as agreed by Dep. Secy above

B.W. 11/8 (Dr. Lee) 4/11/8

14 may dft in file (to the S.C.) issue now? the articles referred to as "Excisable articles sold within Railway limits" (in term 1910) apparently include foreign liquors etc. consumed in Railway Refreshment Rooms. perhaps the Ex. Comr. will go into these details in his reply

T - (Mr.) A. 15 Yes

4/8/32 D 22-8

Issued - Do. No. F. 1135-8/25/8/32 -

From the Ex. Comr. - Do. No. A1-280/32 8/1/32 - Submits a report on the matter and promises

OFFICE OF THE FIRST ASST. 1st AUG. 1932 No. 1212

TYP'NG SECTION 23. AUG. 1932 GENL. & REV. SEC.

Serial No.

a further report in the matter of date trees with the Rly. lands.

17 Sub from top

19/6/9

Sir 5/9

From Hon'ble Secy. to the Hon'ble the Resident
Letter No. 6598/335-192 & 28/9/32

States that the Govt of India are unable to accept the plea of the Govt of Mysore for a settlement favourable to them in advance of the general review of the financial relations between Indian States & the Central Govt & requests early adjustment of the amounts paid Sub for orders.

3/10/32

(Sec Sec)

4/10/32

18 The Govt of India have not vetoed our claims or commented adversely on our request only. They say they are unwilling to make a settlement of the matter favorable to Mysore in advance of the general question & its settlement.

19 In para 2. the Hon'ble Govt is requested to arrange early for the adjustment of the sums due (Rs 24,693 and Rs 5934).

2189

for orders.

4.10.32

I Sr Mr Dewan & then Finl. Secy

I do not think we can agree to make this payment. The tax belongs to this area and has been rightly collected & remitted by us.

6/10/32

WD 10—GBPM—60,000—13-8-31.

(Income-tax from Railway Companies & their employees)

"A There is nothing in the present letter of the Secy. to the Resident but only the old argument served up again

2nd Therefore if asked a reply will be sent – "in due course" – meeting this old argument by the old counter arguments – we asked, please pay back to us the I. Tax withheld from out unjustly due to superior Govt. on Railway lands. His reply is, we can do nothing in advance of the general question's settlement as it will create "precedents". Meanwhile, please refund the Rs 80,000 or so already collected by you! – We can not agree to this solution at all as pointed out by I. Mr above & the best plan is therefore to write again and let the correspondence proceed" = D.

Dewan). 8.10.

Up. Let us also add that if they do not agree we would suggest the matter being referred to arbitration as it is eminently one which best decides by Fin. Members.

MS
21-10-32

Asst. Secy.

25 will you kindly put up a draft as instructed by Dewan above? Let us please meet to discuss the wording before submitting it for perusal of Mr. Dewan

DEWAN'S 29 9 OCT 1932

for the draft see ca 4-11-32

24/10. Ca.

Ry. Jurisdiction 5

1762 V 1884

[App. F. III—2

General and Revenue Secretariat

9.T File No. 14 of 1932.

Serial No. 6

From the Govt of I.T.
Letter No. C. 8 of 5/12/1932
Furnishes particulars called for.
Subs. with the papers.
NW 19/12

2b From the Govt of I.T
Letter No. C. 8 of 29.30 dt 15-12-1932
States that the Chief Auditor of the N.W.Ry declines to submit return in respect of income of Mr Bourington-Ramkuppam section contending that the jurisdiction of the Govt of India includes this section also.

3b draft letter put up in reply to Residency letter suggesting that the matter may be referred to arbitrator

2b re. Mr Ramkuppam - Bourington section jurisdiction has been ceded back to us in 1915. For orders if this may be taken up with the Govt of India separately or if it may be included in the above draft reply.

Dear Secretary

29 jurisdiction has been ceded to us in case of Ramkuppam - Bourington section and the case stands on a different footing. It may be taken separately I think.

First Member.

Ack. 25.1.33.

25/1/33

P.W.D. 7 (Linked file)
9.T.23-32-3.

F
pp 41-51.48 in printed collection.

OFFICE OF THE
25 JAN 1933
No.

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

4725

The Residency communication was received as far back as 30th September last and there has been considerable delay in dealing with it.

31 The Chief Accountant & Auditor, M. & S. M. Railway, thinks that the Bowringpet-Marikuppam Section is one of the lines to which the Railway Board's letter of the 10th May 1926 applies. The case of this Section has, therefore, to be taken as connected with the main problem in making ~~the~~ a further representation to the Government of India.

32 There are two classes of lines to be considered: 1) the Railways over which jurisdiction has been ceded, and, 2) the line the jurisdiction over which vests with us. The Railway Board's letter dated 10th May 1926 obviously applies to lines coming under class 1). The Chief Accountant & Auditor's view that the Bowringpet-Marikuppam Section is one of the lines in respect of which he is prohibited by the Government of India from paying income-tax to the Mysore Government, is quite incorrect.

33 Our contention is that even in regard to lines over which jurisdiction has been ceded, we have fiscal rights. All the arguments that could be advanced in support of this view have already been urged. The Government of India summarily reject our claim without meeting our arguments. There is no object in going at length over the same ground again in the further representation that we should make. We might briefly refer to our position and ask, as ordered by the Dewan,

for

Serial No.

for the question being referred for settlement by arbitration. This course of action applies only to lines over which jurisdiction has been ceded.

34 As regards the Bowringpet-Marikuppam line, the objection raised in the Railway Board's letter cannot possibly apply to it and we may point out to the Government of India how the scope of that letter has been extended and what inconvenience has been caused to us in the collection of income-tax due to us.

35 It is presumed that the Commissioner of Income-tax is keeping alive all the assessment cases relating to these lines by calling for returns and by taking such other action as is prescribed by the law for preventing ~~any~~ lapse of claims. He might be reminded about this.

A letter to the J.T.C. in respect of this is under issue separately W 27/2

Mr CC 26.1.33

CAM. 26.1.33.

36 Revised draft letter to Residency typed put up for consideration. Our case in Bowringpet - Marikuppam line is also included therein.

Yours &c. 6.xii/33

CAM. 31.1.33.

NOTE—Contn. Sheet.

WD 02553—G PB—50,000—8 7 30

Levy income tax on the profits of the Mos. Ry Co. Ltd by company. 1762

File No: 14 of 1932

General and Revenue Secretariat OFFICE

23 FEB. 1933 No. S373

Finance Member

G 3/1

I have suggested another draft. Mayes Subj to Dewan.

4918.

Much 15/2/33

DEWAN'S OFFICE 6294 16. FEB. 1933

Dewan.

I have rights touching re resp: which was accepted if re Fin: Member agrees.

Chief 15.2.33

21 - 2 - 33

First Member

Chief 21.2.33

Much 23/2/33

Chief 24.2.33.

Chief Secretary)

24 FEB. 1933

Secy 24/2/33

Grey

SECRETARIAT

25 FEB

Done

To the Secy. to the Honble the Resident

Letter No. pol 822 & 27.2.33.

Suggest that the Govt of India may be moved to refer the matter to arbitration in the circumstances explained.

S.W.D.

Queen's Regulations for the Corps of Military Staff Clerks in the State

General and Revenue Secretariat | G.T File No. 14. of 1932. | [App. F. III—2

Serial No.

A printed copy of these papers is placed on the file for perusal. If approved, these papers will be filed – now that a printed collection is ready for further action.

By 17/1

Dep. Secy) 17.1.34.

X. Serial 9 should be to the Secretariat file. Letter must be corrected. 19.1.34.

19.1.34.

X. This is a mistake in print. "From" has been printed for "To" correction has been made in the copy put up. By

By 20/1

NOTE—Contn. Sheet.

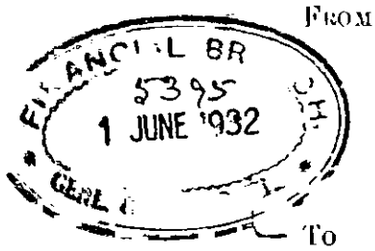
9-T-14-32-1 109 Pol. 1457

All communications should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

Letter No. 3689
335 of 1928.

D 2935

FROM



Captain G. Kirkbride, I.A.,
SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore.

Dated Bangalore, 30th May 1932.

Subject.

RG 30/5/32 — Income-tax levied on the profits of the Madras and Southern Mahratta Railway lines in Mysore State and that recovered from employees of the Company residing in Railway lands in the State.

Sir,

I am directed to refer to your letter No. Pol. 1107/PP, dated the 12th April, 1932, on the above subject, and to state that the question is under the consideration of the Government of India. Their orders will be communicated to you on receipt.

I have the honour to be,
Sir,
Your most obedient servant,

for SECRETARY TO THE RESIDENT.

The file, after issue of letter to Resy, was sent to Fin Sec, where the connected papers are being printed. This will be sent to Fin Sec (by to Fin Sec with Compts) 31/5/32

BJ

Extract from the Report of Indian States Committee (Financial)

"As regards State income-tax, we consider that the States which levy income-tax have a grievance which should in equity be removed, and our recommendations are as follows:-

Railway Employees resident in State territory should be subject to State income-tax if any. This would involve some amendment of the existing income-tax law in British India, but we note that distribution of income-tax in British India on the basis of residence has been recommended in Paragraphs 69-70 of the Report of Lord Eustace Percy's Federal Finance Committee.

Federal Railways should undoubtedly be exempt from tax in the same way as all federal property.

Railway Companies should pay State income-tax, where such tax exists, on the basis of the proportion of their mileage in State territory to their whole system or on such other system of apportionment as may be found practicable and equitable". (Para 180).

Forwarded with compliments to the Secretary to Government, Development Department.

Chief Secretary to Government.

Dear Mr Simms Iyengar,

Herewith the extract you asked for

Yours

3.8.32

G.T. 14-32-2 12.

Letter No. Pol. 174 & 13/8/32

To

The Secretary to the Hon'ble the Resident
in Mysore.

Subject: Income-tax ~~levied~~ on the profits of the M. & S.M. Railway lines in the Mysore State (both Broad and Metre Gauges) as also that ~~recovered from~~ payable by employees of the Company residing within the limits of the Railway lands lines in the State.

...

Sir,

I am directed to invite ~~your kind attention~~ reference to the correspondence ending with your letter No.3689/335 of 1928, dated 30th May 1932, on the subject above-mentioned.

In this connection I am to invite kind attention to paras 179 and 180 on page 65 of the Report of the Indian States Enquiry Committee. ~~It will be seen therefrom that the Government of India have expressly disclaimed any right to exploit these Railway lines for fiscal purposes.~~ The Committee ~~have given their conclusion in these words:~~ are confined in the following extract from their recommendations "We consider that the States which levy income-tax have a grievance which should in equity be removed and our recommendations are as follows:

'Railway Employees resident in State territory should be subject to State income-tax, if any. This would involve some amendment of the existing income-tax law in British India, but we note that distribution of income-tax in British India on the basis of residence has been recommended in paragraphs 69-70 of the Report of Lord Eustace Percy's Federal - Finance Committee.

Federal Railways should undoubtedly be exempt from tax in the same way as all federal property.

Railway Companies should pay State income-tax, where such tax exists, on the basis of the proportion of their mileage in State territory to their whole system or on such other system of apportionment as may be found practicable and equitable.' "

It will be seen from the above that the Committee have fully endorsed the views of this Court and I am to request that the orders of the Government of India may kindly be obtained early.

~~In these circumstances, I am to request you to kindly take up the matter with the Government of India and obtain their early favourable decision in the matter.~~

I have &c.,

3.8.32

Secretary to Government,
Development Department.

Mrtk
6.8.32

Letter No. 9-T. 14-32-3

14

Fe 1135(1)

Dear Mr. Hiriannaiya,

Please see the enclosed extract from the Report of the Indian States Enquiry Committee regarding income-tax, Customs and Excise.

The question of income-tax has been taken up with the ~~British~~ Government of India through ~~the Residency~~. I am to request you to kindly prepare and submit an up-to-date statement of the amount due to us for all the years the claims in respect of which have been held up under the ~~that would be accruing to the Mysore Govern-~~ ~~ment under the arrangement proposed by the~~ scheme of the Govt of India ~~Committee~~.

25/8/32

As regards loss of revenue from excise-able articles sold within Railway limits, I am to request you to kindly prepare and submit a note as to ~~what are the items, and~~ the approximate income that is being lost under this head.

Yours sincerely,

3.8.32

3-8-32.

S. Hiriannaiya, Esqr., M.A., B.L.,
~~D. SRINIVASACHYENGAR, Esq., B.A.,~~
~~M.G. HIRIANNAIYA, M.A., B.L.,~~
Excise Commissioner
in Mysore.

NEW PUBLIC OFFICES,

Dated, Bangalore, 1st September 1932

D.O.No.A1-280/32.

Encl.

Dear Sir,

With reference to your D.O.No.F1-1135 dated 25th August 1932 forwarding an extract from the Report of the Indian States Enquiry Committee regarding Income-tax, Customs and Excise, I write to state that a note will be furnished separately as regards Income-tax.

In regard to Excise, I may state that, so far as this State is concerned, only Foreign Liquors (i.e., liquors manufactured on the Continent,) and Bangalore Beer are sold within the limits of the Railway in Railway Refreshment Rooms,* and the revenue ~~received~~ in the shape of license fees and duty on Country Beer is realised by this Government. In the case of Bangalore Railway Refreshment Room, Rs.200/- is levied as license fee, and Rs.180/- towards registration fee. In other cases, a license fee of Rs.150/- is levied. A license fee of Rs.60/- per annum is also realised for the issue of a license for the Dining Car running between Birur and Harihar.

* 1. Bangalore. (M. & S. M. Railway)
2. Dodballapur. -do-
3. Maddur. } State Railway.
4. Mysore. }
5. Kadur. } M. & S. M. Railway)
6. Harihar. }
7. Shimoga. } State Railway.
8. Hassan. }
9. Arsikere. } M. & S. M. Railway.
10. Tumkur. }

In

In 1910, the management of the Railway Refreshment Rooms by this Government was observed to be not legal by the Residency and an attempt was made for the transfer of the management to the Collector of the Civil & Military Station; but later, it was ordered by Government (in the General and Revenue Secretary's letter No.Fl-3301/S.R.175-09 dated 20th December 1910) to "leave matters as they were, in view of the fact that from the experience of the past, no trouble was expected to occur in future in connection with these Refreshment Rooms."

There is also the question of date trees, if any, within the Railway jurisdiction. I am in consultation with the Deputy Commissioners with regard to toddy-yielding trees, situated within the Railway limits, which may have been licensed for tapping and shall submit a further report separately on the receipt of their replies.

Yours Sincerely,

To

D. SRINIVASA IYENGAR, Esqr., B.A.,
Secretary to the Government of
H. H. The Maharaja of Mysore,
Development Department, Bangalore.

All Communications should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

Pol 443 17

No. 6598
335-1928.

FINANCIAL BR. I.C. 1065 3 OCT. 1932 GENL & REV. SECTT.

9.T. 14-32-5

FROM

DEVELOPMENT SECRETT. 30 SEP. 1932

The SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

Fin. Secy., with compliments, for favour of necessary action.

(Copies submitted to Dewan and Members for information.)

28/9/32

Dated, Bangalore, the 28th Sept. *1932.*

Subject.

Mysore income-tax levied on the profits of the Madras and Southern Mahratta Railway Company and on the income of their employees residing in railway lands within Mysore State.

SIR,

I am directed to refer to the correspondence ending with Mr. Srinivasa Iyengar's letter No. Pol.174/Fl., dated the 13th/16th August 1932, on the above subject, and to state that the Government of India have given further careful consideration to the matter but find themselves unable to accept the plea of the Government of Mysore for a settlement favourable to them in advance of the general review of the financial relations between Indian States and the Central Government. They regret that they see no reason to give a special concession to the Government of Mysore in this particular case as such a concession would, they consider, necessarily form a precedent that would lead to great complications in practice; for, whether the Mysore railway lands in question are 'self-contained' or not, they are not so uniquely circumstanced that any concession of the kind asked for granted in regard to them could not be cited as a precedent in support of similar requests in regard to other railway lands in Indian State territories.

2. I am accordingly to request that arrangements may kindly be made for the early adjustment of the sums of Rs.24,693/- and Rs.5,934/13/- referred to in Major Loch's letter No. 2433/335-1928,

dated

dated the 22nd March, 1930.

I have the honour to be,

Sir,

Your most obedient servant,

Lieut. Col,
for SECRETARY TO THE RESIDENT.

Copy forwarded to the Accountant General, Madras, in continuation of letter No. 4315, dated the 30th June, 1932, from this Residency.

BJ

D. Srinivasa Iyengar, Esq., B.A.,
Mr. S. Hiriannaiya, M.A., B.L.,
Excise Commissioner in Mysore.

NEW PUBLIC OFFICES, 19

D.O. No. 11-280/32 Dated, Bangalore, 12th November 1932.

DEVELOPMENT SECTION
14 NOV
1506
15 NOV. 1932
FINANCIAL BRANCH
GENL. & REV. SECTT.

Dear Sir,

In continuation of Mr. S. Hiriannaiya's D.O. letter No. 11-280/32 dated 31st August 1932 re: the Indian States Enquiry report about the loss of Excise revenue, I write to state that, as stated in the last para of the D.O. letter, the Deputy Commissioners of districts except Mysore and Shimoga - were consulted as to whether there were any instances in which the Railway authorities recovered the tree-tax on trees taken up by licensees and standing within the Railway limits.

Date trees standing within the Railway lines are reported to have been taken up by licensees in previous years in the Kolar, Hassan and Kadur districts but the tree-tax in respect of such trees was recovered by Government.

Yours sincerely,
D. Srinivasa Iyengar

To

S. ABDUL MAJID, Esq., B.A.,
Secretary to Government,
Development Department, Bangalore.

I. T. 66]

In reply refer to
No. C.8 29-30
Enc.

FINANCIAL 1762 8 DEC. 1932 GEN. & REV. SECTT.

OFFICE OF THE COMMISSIONER OF INCOME-TAX
IN MYSORE,
Bangalore, 5th December 1932.

FROM D. Srinivasa Iyengar, Esq., B.A.,
Commissioner of Income-tax in Mysore.

To

S. Abdul Wajid, Esq., B.A.,
Secretary to the Government
of His Highness the Maharaja of Mysore,
Development Department,
Bangalore.

Sir,

With reference to your letter No. Fl. 1135(1)/I.T. dated 24th/25th August 1932, requesting me to prepare and submit an up-to-date statement of the amounts due to the Mysore Government for all the years, the claims in respect of which have been held up by the M. & S. M. Railway under the orders of the Government of India, I have the honour to state that the said company has to pay tax both on its own income and that of its employees working in the Mysore State on the following Railways:-

(1). Bangalore-Bisanatham Section of the Broad Gauge Railway, over which jurisdiction has been ceded to the Government of India;

(2). Broad Gauge Section of the Mysore State Railways running from Bowringpet to Marikuppam, in respect of which jurisdiction remains with the Mysore Government; and

(3). Metre Gauge Section of the Mysore State Railways worked by the M. & S. M. Railway Company, the jurisdiction over which has been ceded to the Government of India. (Bangalore to Harihar and Bangalore to Dodkurgod)

2. The Company paid tax on the salaries of employees working on these Sections up to the end of May 1926. The tax now due is for the period commencing from 1926-27 up to-date. The average amount of tax that was being received under this head in a year was about Rs.3,300/-. The total amount now due may, therefore, be estimated at about Rs.20,000

3. The Company has paid tax on surplus profits received by it for working the Mysore State Lines (both Broad Gauge and Metre Gauge) up to the

the end of 1925-26. It has not paid tax since 1926-27.

4. On a reference to the Auditor, Mysore Railways, it is ascertained that the following sums were paid to the company as surplus profits for working the Mysore State Lines during the years 1925-26 to 1931-32. Tax thereon would amount to Rs.72,000/- (Rs.48,330/- under Incometax and Rs.23,670/- under Supertax) for the entire period:-

Year.	Surplus profits paid to the M. & S. M. Railway Co., for working the State lines--both Broad Gauge and Metre Gauge.	Surplus profits paid to the M. & S. M. Railway Co., for working the State Broad Gauge Line only.
	Rs.	Rs.
1925-26. ..	98,825	3,000
1926-27. ..	1,00,646	2,909
1927-28. ..	99,913	2,693
1928-29. ..	1,16,323	3,403
1929-30. ..	1,03,825	3,198
1930-31. ..	79,470	2,495
1931-32. ..	89,761	3,167

5. The income from the Broad Gauge Section owned by the Company was assessed to tax, for the first time in 1925-26, for two years viz., 1924-25 and 1925-26. The income earned during the subsequent years has yet to be assessed. The amount of the claim in this regard cannot be estimated for want of information regarding the income of the company for these years.

6. Thus, it will be seen that a sum of nearly Rs.92,000/- is due from the M. & S. M. Railway Company, in addition to the tax payable on the Broad Gauge Section (~~Bangalore-Birur and Bangalore-Marikuppam~~).

I have the honour to be,

Sir,

Your most obedient servant,

D. Srinivasa Iyengar

COMMISSIONER OF INCOMETAX.

SL.

BH

I. T. 66]

In reply refer to
No C..8..of...29-30.
Enc.....

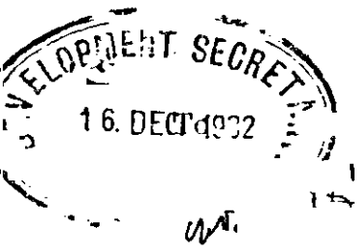
OFFICE OF THE COMMISSIONER OF INCOME-TAX
IN MYSORE,

Bangalore,....15th December 1932.

9T 14-32-7.

FROM

D. Srinivasa Iyengar, Esq., B.A.,
Commissioner of Income-tax in Mysore.



To S. Abdul Wajid, Esq., B.A.,
" Secretary to the Government
of His Highness the Maharaja of Mysore,
Development Department,
Bangalore.

Sir.

With reference to your D.O.letter No.Fl.2121/I.T.23-32-2 dated 18th October 1932, I have the honor to state that the Chief Auditor and Accountant of the Madras and Southern Mahratta Railway Company, Madras, was requested by the Special Deputy Commissioner of Incometax, Bangalore, to furnish the return of the Company's income and of its employees on the Broad Gauge Section of the Mysore State Railways - between Bowringpet and Marikuppam during the accounting years 1925-26 to 1931-32. The Chief Auditor in reply to this has stated that the Railway Administration has been givingliteral effect to the specific orders of the Government of India - to cease to pay incometax to the Government of Mysore in respect of the profits of the Mysore State - Lines and to cease to recover incometax from the salary of the Madras and Southern Mahratta Railway Company, - and that it is not in any position to modify such practices without the prior sanction of the Government of India.

2. The copies of the Chief Auditor's letter and of its enclosure are herewith submitted for reference.

I have the honor to be,

Sir,

Your most obedient servant,

D. Srinivasa Iyengar.

Commissioner of Incometax.

Copy of letter No.B.51227 dated 21st November 1932 from the Chief Auditor and Accountant, the Madras and Southern Mahratta Railway Company Limited, Park Town, Madras, to the Special Deputy Commissioner of Incometax, Bangalore.

***

(" Incometax - Bowringpet - Marikuppam Section.
Your No.32/32-33 dated 12th November 1932.)

--

In returning herewith the forms received with your above letter, I would point out that the orders of the Railway Board conveyed in their letter No.3167-F of 10-5-1926 (copy enclosed for your information) are both specific and comprehensive and apply equally to all Railway lands situated within the Mysore State - comprised in the Mysore State Lines - which parenthetial term I am left with no option but to interpret as comprehending, inter alia, the Bowringpet - Marikuppam Section of line also.

2. I may add that this Administration, in the pursuance of its present practice, is doing no more than giving literal effect to the specific orders of the Government of India and is not in any position to modify such practices without the prior sanction of the same superior authority. If the Mysore Government are of the opinion that the generalisation or construction of the Government of India's orders call for clearer definition or circumscribed specification, the subject is one for reference to the Railway Board by the Government.

3. An acknowledgment of this letter is requested.

C o p y.

For Commissioner of Incometax.

Copy of letter No.3167-F. dated the 10th May 1926, from the Secretary, Railway Board, Simla, to the Agent, M.&.S.M.Railway, Madras.

Incometax - Mysore State Lines.

It has come to the notice of the Government of India that the Madras and Southern Mahratta Railway Company is paying income tax to the Government of Mysore in respect of the profits earned by the company from the working of the Mysore State Lines and is collecting incometax from its employees residing on Railway lands in Mysore over which Jurisdiction had been ceded. As by virtue of the grant by the Government of Mysore of full civil and criminal jurisdiction to the Government of India over the railway lands in Mysore comprised in the Mysore State lines, the Government of Mysore is precluded from enforcing the Mysore Incometax Regulation over these lands, I am directed to request that you will take steps at once to cease to pay incometax to the Government of Mysore in respect of the profits of the Mysore State Lines and to cease to recover incometax from the employees of the Madras and Southern Mahratta Railway company on behalf of the Government of Mysore unless the employees are paid in Mysore territory.

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" C o p y. "

G. Ried rappa

For Commissioner of Incometax.

9 T 14-32-9 19 215

Pol. 822 &3 & 27/2/33

Draft

To

The Secretary to the Hon'ble
the Resident in Mysore,
B a n g a l o r e.

Revised draft.
MD
21-2-33

SUBJECT:- Mysore income-tax on the profits of the Madras and Southern Mahratta Railway Company arising or accruing in Mysore, and on incomes of the Company's employees residing on railway lands within the State.

S i r,

I am directed to acknowledge the receipt of your letter No.6598/335-1928, dated 28th September 1932, on the above subject.

It is stated in this communication that the Government of India are unable to allow this matter to be settled in favour of the Government of Mysore in advance of the general review of the financial relations between Indian States and the Central Government. I am to state that the question under discussion is independent of the large and complex problem of the financial relations between the States and the future Federal Government and it is not right to treat it as part of that problem. The matter under consideration is a simple one and it relates to the application of the Mysore Income-tax Law to the incomes of the Madras and Southern Mahratta Railway Company and its employees arising or accruing in the State. It has more than once been pointed out, in the course of this correspondence, that the

cession of jurisdiction over railway lands, so far at any rate as this State is concerned, was for railway purposes only, and that the arrangement in no way affected the fiscal rights of this Government over such lands. The Government of India have themselves disclaimed any intention of obtaining a financial advantage from the cession, ~~and~~ I am, in this connection, to invite attention to this Government letters No.Pol. 525 dated the 17th November 1928, para 2, and No.Pol.1043 dated the 24th March 1930, para 6 (copies enclosed). It is only fair, therefore, to permit the fiscal laws of the State to be applied in respect of incomes arising or accruing in the State. But the position created by the orders of the Government of India is that that Government is taking away a tax ~~payable in respect of the incomes of the~~ Company and its employees accruing or arising in the State and due to this Government, according to the reciprocity arrangement existing between the two Governments for determining the shares of ~~income~~ income-tax and super-taxe payable to them and for exempting assessees from the burden of double taxation. Such appropriation by the Government of India does not appear to be reasonable and is opposed to their own declared intention.

I am to request, in these circumstances, that the Government of India may be pleased

27

to permit the income-tax law of the State to be applied in respect of the said incomes. If the Government of India are still not disposed to reconsider their view of this matter, it will become necessary to refer it to arbitration under the procedure laid down in their Resolution No.427-R Foreign and Political, dated 29th October 1920.

The objection of the Government of India to the operation of the Income-Tax Law of this Government is in respect of railway lands over which jurisdiction has been ceded. The jurisdiction over the Bowringpet-Marikuppam Line vests in this Government (vide letter No.5962 dated the 20th August 1915 from the First Assistant to the Hon'ble the Resident in Mysore to the Dewan), but in spite of this fact, the Chief Accountant and Auditor of the Company, has declined to submit returns necessary for the assessment of the Company's income from this line, or to collect on behalf of this Government the tax due on incomes of its employees residing on the railway lands. A copy of his letter No. B.51227, dated 21st November 1932, to the Special Deputy Commissioner of Income-tax, Bangalore, is enclosed for information. The view taken by the Chief Accountant and Auditor is obviously incorrect and I am to request that necessary instructions may be issued to him to comply

with the requisitions of the Income-tax authorities of this Government.

I have, etc.,

Chief Secretary to Government.

Confidential

PAPERS REGARDING THE LEVY OF INCOME-TAX ON THE PROFITS OF THE M. & S. M. RAILWAY COMPANY.

1932

1932.

GENERAL AND REVENUE SECRETARIAT

(INCOME-TAX)

File No. 14-32.

Levy of Income-tax on the profits of the Broad Gauge system of the Madras and Southern Mahratta Railway Company within the Mysore Territory.

NOTES.

Letter No. 3639, dated 30th May 1932, from the Secretary, to the Hon'ble the Resident.

1. *States that the question is under the consideration of the Government of India and that orders will be communicated on receipt.*

Submitted with an extract from the report of the Indian States Enquiry Committee (Fin.) 1932, relating to the cession of jurisdiction over Railway lands. Submitted with a draft to the Residency, as per personal instructions of the Financial Secretary.

C. S.,
2-8-32.

Extract from the Report of Indian States Committee (Financial).

"As regards State income-tax, we consider that the States which levy income-tax have a grievance which should in equity be removed, and our recommendations are as follows:—

Railway employees resident in State territory should be subject to State income-tax, if any. This would involve some amendment of the existing income-tax law in British India, but we note that distribution of income-tax in British India on the basis of residence has been recommended in paragraphs 69-70 of the Report of Lord Eustace Percy's Federal Finance Committee.

Federal Railways should undoubtedly be exempt from tax in the same way as all federal property.

Railway Companies should pay State income-tax, where such tax exists, on the basis of the proportion of their mileage in State territory to their whole system or on such other system of apportionment as may be found practicable and equitable." (Para 180).

Two drafts for approval.

D. S.,
3-8-32.

M. N. K.,
4-8-32.

M. M. I.,
10-8-32.

Issue the draft approved and re-submit file for obtaining instructions of Member on the second draft.

D. S.,
11-8-32.

2. Letter No. Pol. 174, dated 13th August 1932, from the Secretary, to the Hon'ble the Resident.

Invites reference to the recommendations of the Indian States Enquiry Committee and requests that orders of the Government of India may be obtained early.

May draft in file (to the E. C.) issue now? The articles referred to as "Excisable articles sold within Railway limits" in para 179(c) apparently include Foreign liquors, etc., consumed in Railway Refreshment Rooms. Perhaps the Excise Commissioner will go into these details in his reply.

D. S.,
18-8-32.,

A. Yes.

M. N. K.,
21-8-32.

Issue.

C. S.,
22-8-32.

3. Issued D. O. No. Fl. 1135, dated 25th August 1932.

4. From the Excise Commissioner, D. O. No. A1. 280—32, dated 1st September 1932.

Submits a report in the matter and promises a further report regarding date trees within the Railway lands.

5. Letter No. 6598—335-1928, dated 28th September 1932, from the Secretary, to the Hon'ble the Resident.

States that the Government of India are unable to accept the plea of the Government of Mysore for a settlement favourable to them in advance of the general review of the financial relations between Indian States and the Central Government and requests early adjustment of the amount paid.

The Government of India have not vetoed our claims or commented adversely on our request. Only, they say they are unwilling to "make a settlement of the matter favourable to Mysore in advance of the general" question and its settlement.

In para 2, the Mysore Government is requested to arrange early for the adjustment of the sums due (Rs. 24,693 and Rs. 5,934).

For orders.

D. S.,
4-10-32.

I do not think we can agree to make this payment. The tax belongs to us and has been rightly collected by us.

M. N. K.,
6-10-32.

Issue.

There is nothing new in the present letter of the Secretary to the Resident, but only the old argument served up again.

Therefore, if approved, a reply will be sent—"in due course"—meeting their old argument by the old counter-arguments.

We asked, please pay back to Mysore the Income-tax withheld from, but rightly due to, Mysore Government on Railway lands. The reply is, we can do nothing in advance of the general question's settlement as it will create "precedents." Meanwhile, please refund the Rs. 30,000 or so already collected by you! We cannot agree to this solution at all as pointed out by First Member above.

The best plan is therefore to write again and let the correspondence proceed.

D. S.,
8-10-32.

Yes. Let us also add that if they do not agree, we would suggest the matter being referred to arbitration, as it is eminently one which is best decided by this means.

M. M. I.,
21-10-32.

6. *Letter No. C. 8, dated 5—6th December 1932, from the Commissioner of Income-tax.*

Furnishes particulars called for.

7. *Letter No. C. 8 of 29-30, dated 15th December 1932, from the Commissioner of Income-tax.*

States that the Chief Auditor of the Madras and Southern Mahratta Railway declines to submit return in respect of income of the Bowringpet-Marikuppam Section construing that the jurisdiction of the Government of India includes this section also.

Draft letter put up in reply to Residency letter and suggesting that the matter may be referred to arbitration.

In re the Marikuppam-Bowringpet Section, jurisdiction has been ceded back to us in 1915. For orders, if this may be taken up with the Government of India separately or if it may be included in the above draft itself.

C. S.,
24-1-33.

Jurisdiction has been ceded to us in case of Marikuppam-Bowringpet Section and the case stands on a different footing. It may be taken separately, I think.

S. A. W.,
25-1-33.

The Chief Accountant and Auditor, Madras and Southern Mahratta Railway, thinks that the Bowringpet-Marikuppam Section is one of the lines to which the Railway Board's letter of the 10th May 1926, applies. The case of this section has, therefore, to be taken as connected with the main problem in making a further representation to the Government of India.

There are two classes of lines to be considered.—(1) the Railways over which jurisdiction has been ceded, and (2) the line the jurisdiction over which vests with us. The Railway Board's letter, dated 10th May 1926, obviously applies to lines coming under class (1). The Chief Accountant and Auditor's view that the Bowringpet-Marikuppam Section is one of the lines in respect of which he is prohibited by the Government of India from paying income-tax to the Mysore Government, is quite incorrect.

Our contention is that even in regard to lines over which jurisdiction has been ceded, we have fiscal rights. All the arguments that could be advanced in support of this view have already been urged. The Government of India summarily reject our claim without meeting our arguments. There is no object in going at length, over the same ground again in the further representation that we should make. We might briefly refer to our position and ask, as ordered by the Dewan for the question being referred for settlement by arbitration. This course of action applies only to lines over which jurisdiction has been ceded.

As regards the Bowringpet-Marikuppam line, the objection raised in the Railway Board's letter cannot possibly apply to it and we may point out to the Government of India how the scope of that letter has been extended and what inconvenience has been caused to us in the collection of income-tax due to us.

It is presumed that the Commissioner of Income-tax is keeping alive all the assessment cases relating to these lines by calling for returns and by taking such other action as is prescribed by the law for preventing lapse of claims. He might be reminded about this.

M. N. K.,
26-1-33.

I have slightly touched up the draft, which may be adopted if the First Member agrees.

M. M. I.,
21-2-33.

M. N. K.,
23-2-33.

Issue.

25-2-33.

9. Letter No. Pol. 822, dated 27th February 1933, from the Secretary, to the Hon'ble the Resident.

Suggests that the Government of India may be moved to refer the matter to arbitration in the circumstances explained.

Serial 1 *Letter No. 3639—335 of 1928—I. T. 14-32-1, dated Bangalore, 30th May 1932, from the Secretary to the Hon'ble the Resident in Mysore, to the Chief Secretary to the Government of His Highness the Maharaja of Mysore, Bangalore.*

Subject.—Income-tax levied on the profits of the Madras and Southern Mahratta Railway lines in Mysore State and that recovered from employees of the Company residing in Railway lands in the State.

I am directed to refer to your letter No. Pol. 1107—P. P., dated the 12th April 1932, on the above subject, and to state that the question is under the consideration of the Government of India. Their orders will be communicated to you on receipt.

Serial 2 *Letter No. Pol. 174—I. T. 14-32-2, dated 13th August 1932, from the Secretary, to the Hon'ble the Resident in Mysore.*

Subject.—Income-tax on the profits of the Madras and Southern Mahratta Railway lines in the Mysore State (both Broad and Metre Gauges) as also that payable by employees of the Company residing within the limits of the Railway lands in the State.

I am directed to invite reference to the correspondence ending with your letter No. 3639—335 of 1928, dated 30th May 1932, on the subject above mentioned.

In this connection, I am to invite kind attention to paras 179 and 180 on page 65 of the Report of the Indian States Enquiry Committee. The recommendations of the Committee are contained in the following extract from the Report :—

" We consider that the States which levy income-tax have a grievance which should in equity be removed and our recommendations are as follows :—

'Railway Employees resident in State territory should be subject to State income-tax, if any. This would involve some amendment of the existing income-tax law in British India, but we note that distribution of income-tax in British India on the basis of residence has been recommended in paragraphs 69 and 70 of the Report of Lord Eustace Percy's Federal Finance Committee.

Federal Railways should undoubtedly be exempt from tax in the same way as all federal property.

Railway Companies should pay State income-tax, where such tax exists, on the basis of the proportion of their mileage in State territory to their whole system or on such other system of apportionment as may be found practicable and equitable'." (Para 180).

It will be seen from the above that the Committee have fully endorsed the views of this Government and I am to request that the orders of the Government of India may kindly be obtained early.

Serial 3 *D. O. No. Fl. 1135—I. T. 14-32-3, dated 25th August 1932, from the Development Secretary, to the Excise Commissioner.*

Please see the enclosed extract from the Report of the Indian States Enquiry Committee, regarding Income-tax, Customs and Excise.

The question of Income-tax has been taken up with the Government of India. I am to request you to kindly prepare and submit an up-to-date statement of the amount due to us for all the years, the claims in respect of which have been held up under the orders of the Government of India.

As regards loss of revenue from excisable articles sold within Railway limits, I am to request you to kindly prepare and submit a note as to the approximate income that is being lost under this head.

D. O. No. A1-280-32—I. T. 14-32-4, dated 1st September 1932, from the Excise Commissioner in Mysore, to the Secretary to the Government, Development Department, Bangalore. **Serial 4**

With reference to your D. O. No. Fl. 1135, dated 25th August 1932, forwarding an extract from the Report of the Indian States Enquiry Committee regarding Income-tax, Customs and Excise, I write to state that a note will be furnished separately as regards Income-tax.

In regard to Excise, I may state that, so far as this State is concerned, only Foreign Liquors (*i.e.*, liquors manufactured on the Continent), and Bangalore Beer are sold within the limits of the Railway in Railway Refreshment Rooms, and the revenue in the shape of license fees and duty on Country Beer is realised by this Government. In the case of Bangalore Railway Refreshment Room, Rs. 200 is levied as license fee, and Rs. 180 towards registration fee. In other cases, a license fee of Rs. 150 is levied. A license fee of Rs. 60 per annum is also realised for the issue of a license for the Dining Car running between Birur and Harihar.

1.	Bangalore ...	M. & S. M. Railway.
2.	Dodballapur ...	Do
3.	Maddur ...	State Railway.
4.	Mysore ...	
5.	Kadur ...	M. & S. M. Railway.
6.	Harihar ...	
7.	Shimoga ...	State Railway.
8.	Hassan ...	
9.	Arsikere ...	M. & S. M. Railway.
10.	Tumkur ...	

In 1910, the management of the Railway Refreshment Rooms by this Government was observed to be not legal by the Residency and an attempt was made for the transfer of the management to the Collector of the Civil and Military Station; but later, it was ordered by Government (in the General and Revenue Secretary's letter No. Fl. 3301—S. R. 175-09, dated 20th December 1910) to "leave matters as they were, in view of the fact that from the experience of the past, no trouble was expected to occur in future in connection with these Refreshment Rooms."

There is also the question of date trees, if any, within the Railway jurisdiction. I am in consultation with the Deputy Commissioners with regard to toddy-yielding trees, situated within the Railway limits, which may have been licensed for tapping and shall submit a further report separately on the receipt of their replies.

Letter No. 6598—335-1928—I. T. 14-32-5, dated Bangalore, the 28th September 1932, from the Secretary to the Hon'ble the Resident in Mysore, to the Chief Secretary to the Government of His Highness the Maharaja of Mysore, Bangalore. **Serial 5**

Subject.—Mysôre Income-tax levied on the profits of the Madras and Southern Mahratta Railway Company and on the income of their employees residing in Railway lands within Mysore State.

I am directed to refer to the correspondence ending with Mr. Srinivasa Iyengar's letter No. Pol. 174—Fl., dated the 13—16th August 1932, on the above subject, and to state that the Government of India have given further careful consideration to the matter but find themselves unable to accept the plea of the Government of Mysore for a settlement favourable to them in advance of the general review of the financial relations between Indian States and the Central Government. They regret that they see no reason to give a special concession to the Government of Mysore in this particular case as such a concession would, they consider, necessarily form a precedent that would lead to great complications in practice; for, whether the Mysore Railway lands in question are 'self-contained' or not, they are not so uniquely circumstanced that any concession of the kind asked for granted in regard to them could not be cited as a precedent in support of similar requests in regard to other railway lands in Indian State territories.

2. I am accordingly to request that arrangements may kindly be made for the early adjustment of the sums of Rs. 24,693 and Rs. 5,934-13-0 referred to in Major Loch's letter No. 2433/335—1928, dated the 22nd March 1930.

D. O. No. A1-280—32, dated Bangalore, 12th November 1932, from the Excise Commissioner in Mysore, to the Secretary to the Government, Development Departments, Bangalore.

In continuation of Mr. S. Hiriannaiya's D. O. letter No. A1-280—32, dated 31st August 1932, *re* the Indian States Enquiry Report about the loss of excise revenue, I write to state that, as stated in the last para of the D. O. letter, the Deputy Commissioners of Districts except Mysore and Shimoga were consulted as to whether there were any instances in which the Railway authorities recovered the tree-tax on trees taken up by licensees and standing within the Railway limits.

Date trees standing within the Railway lines are reported to have been taken up by licensees in previous years in the Kolar, Hassan and Kadur Districts, but the tree-tax in respect of such trees was recovered by Government.

Serial 6

Letter No. C. 8—29-30—I. T. 14-32-6, dated Bangalore, 5—6th December 1932, from the Commissioner of Income-tax in Mysore, to the Secretary to the Government of His Highness the Maharaja of Mysore, Development Departments, Bangalore.

With reference to your letter No. Fl. 1135—I. T., dated 24—25th August 1932, requesting me to prepare and submit an up-to-date statement of the amounts due to the Mysore Government for all the years, the claims in respect of which have been held up by the M. & S. M. Railway under the orders of the Government of India, I have the honour to state that the said Company has to pay tax both on its own income and that of its employees working in the Mysore State on the following Railways :—

(1) Bangalore-Bisanatham Section of the Broad Gauge Railway, over which jurisdiction has been ceded to the Government of India ;

(2) Broad Gauge Section of the Mysore State Railways running from Bowringpet to Marikuppam, in respect of which jurisdiction remains with the Mysore Government ; and

(3) Metre Gauge Section of the Mysore State Railways worked by the Madras and Southern Mahratta Railway Company, the jurisdiction over which has been ceded to the Government of India. (Bangalore to Harihar and Bangalore to Dodkurgod).

2. The Company paid tax on the salaries of employees working on these sections up to the end of May 1926. The tax now due is for the period commencing from 1926-27 up-to-date. The average amount of tax that was being received under this head in a year was about Rs. 3,300. The total amount now due may, therefore, be estimated at about Rs. 20,000.

3. The Company has paid tax on surplus profits received by it for working the Mysore State Lines (both Broad Gauge and Metre Gauge) up to the end of 1925-26. It has not paid tax since 1926-27.

4. On a reference to the Auditor, Mysore Railways, it is ascertained that the following sums were paid to the Company as surplus profits for working the Mysore State Lines during the years 1925-26 to 1931-32. Tax thereon would amount to Rs. 72,000. (Rs. 48,330 under Income-tax and Rs. 23,670 under Super-tax) for the entire period :—

Year	Surplus profits paid to the M. & S. M. Railway Co., for working the State lines both Broad Gauge and Metre Gauge	Surplus profits paid to the M. & S. M. Railway Co., for working the State Broad Gauge Line only
	Rs.	Rs.
1925-26	98,825	3.000
1926-27	1,00,646	2,909
1927-28	99,913	2,693
1928-29	1,16,323	3,403
1929-30	1,03,825	3,198
1930-31	79,470	2,495
1931-32	89,761	3,167

2. I am accordingly to request that arrangements may kindly be made for the early adjustment of the sums of Rs. 24,693 and Rs. 5,934-13-0 referred to in Major Loch's letter No. 2433/335—1928, dated the 22nd March 1930.

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Date trees standing within the Railway lines are reported to have been take up by licensees in previous years in the Kolar, Hassan and Kadur Districts, but th tree-tax in respect of such trees was recovered by Government.

Serial 6

Letter No. C. S—29-30—I. T. 14-32-6, dated Bangalore, 5—6th December 1932, from the Commissioner of Income-tax in Mysore, to the Secretary to the Government of His Highness the Maharaja of Mysore, Development Departments, Bangalore.

With reference to your letter No. Fl. 1135—I. T., dated 24—25th August 1932, requesting me to prepare and submit an up-to-date statement of the amounts due to the Mysore Government for all the years, the claims in respect of which have been held up by the M. & S. M. Railway under the orders of the Government of India, I have the honour to state that the said Company has to pay tax both on its own income and that of its employees working in the Mysore State on the following Railways :—

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1928-29	1,16,323	3,403
1929-30	1,03,825	3,198
1930-31	79,470	2,495
1931-32	89,761	3,167

5. The income from the Broad Gauge Section owned by the Company was assessed to tax, for the first time in 1925-26, for two years, *viz.*, 1924-25 and 1925-26. The income earned during the subsequent years has yet to be assessed. The amount of the claim in this regard cannot be estimated for want of information regarding the income of the Company for these years.

6. Thus, it will be seen that a sum of nearly Rs. 92,000 is due from the Madras and Southern Mahratta Railway Company, in addition to the tax payable on the Broad Gauge Section.

Serial 7

Letter No. C. 8—29-30, dated 15th December 1932, from the Commissioner of Income-tax in Mysore to the Secretary to the Government of His Highness the Maharaja of Mysore, Development Departments, Bangalore.

With reference to your D. O. letter No. Fl. 2121—I. T. 23-32-2, dated 18th October 1932, I have the honor to state that the Chief Auditor and Accountant of the Madras and Southern Mahratta Railway Company, Madras, was requested by the Special Deputy Commissioner of Income-tax, Bangalore to furnish the return of the Company's income and of its employees on the Broad Gauge Section of the Mysore State Railways between Bowringpet and Marikuppam during the accounting years 1925-26 to 1931-32. The Chief Auditor in reply to this has stated that the Railway Administration has been giving literal effect to the specific orders of the Government of India to cease to pay income-tax to the Government of Mysore in respect of the profits of the Mysore State Lines and to cease to recover income-tax from the salary of the Madras and Southern Mahratta Railway Company, and that it is not in any position to modify such practices without the prior sanction of the Government of India.

2. The copies of the Chief Auditor's letter and of its enclosure are herewith submitted for reference.

Copy of letter No. B. 51227, dated 21st November 1932, from the Chief Auditor and Accountant, the Madras and Southern Mahratta Railway, Company, Limited, Park Town, Madras, to the Special Deputy Commissioner of Income-tax, Bangalore.

INCOME-TAX—BOWRINGPET-MARIKUPPAM SECTION.

Your No. 32—32-33, dated 12th November 1932.

In returning herewith the forms received with your above letter, I would point out that the orders of the Railway Board conveyed in their letter No. 3167-F. of 10th May 1926 (copy enclosed for your information) are both specific and comprehensive and apply equally to all Railway lands situated within the Mysore State comprised in the Mysore State Lines which parenthetical term I am left with no option but to interpret as comprehending, *inter alia*, the Bowringpet-Marikuppam Section of line also.

2. I may add that this Administration, in the pursuance of its present practice, is doing no more than giving literal effect to the specific orders of the Government of India and is not in any position to modify such practices without the prior sanction of the same superior authority. If the Mysore Govenment are of the opinion that the generalisation or construction of the Government of India's orders call for clearer definition or circumscribed specification, the subject is one for reference to the Railway Board by the Government.

3. An acknowledgment of this letter is requested.

5. The income from the Broad Gauge Section owned by the Company was assessed to tax, for the first time in 1925-26, for two years, *viz.*, 1924-25 and 1925-26. The income earned during the subsequent years has yet to be assessed. The amount of the claim in this regard cannot be estimated for want of information regarding the income of the Company for these years.

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Serial 7

Letter No. C. 8—29-30, dated 15th December 1932, from the Commissioner of Income-tax in Mysore to the Secretary to the Government of His Highness the Maharaja of Mysore, Development Departments, Bangalore.

With reference to your D. O. letter No. Fl. 2121—I. T. 23-32-2, dated 18th October 1932, I have the honor to state that the Chief Auditor and Accountant of the Madras and Southern Mahratta Railway Company, Madras, was requested by the Special Deputy Commissioner of Income-tax, Bangalore to furnish the return of the Company's income and of its employees on the Broad Gauge Section of the Mysore State Railways between Bowringpet and Marikuppam during the accounting years 1925-26 to 1931-32. The Chief Auditor in reply to this has stated that the Railway Administration has been giving literal effect to the specific orders of the Government of India to cease to pay income-tax to the Government of Mysore in respect of the profits of the Mysore State Lines and to cease to recover income-tax from the salary of the Madras and Southern Mahratta Railway Company, and that it is not in any position to modify such practices without the prior sanction of the Government of India.

2. The copies of the Chief Auditor's letter and of its enclosure are herewith submitted for reference.

Copy of letter No. B. 51227, dated 21st November 1932, from the Chief Auditor and Accountant, the Madras and Southern Mahratta Railway, Company, Limited Park Town, Madras, to the Special Deputy Commissioner of Income-tax, Bangalore.

INCOME-TAX—BOWRINGPET-MARIKUPPAM SECTION.

Your No. 32—32-33, dated 12th November 1932.

In returning herewith the forms received with your above letter, I would point out that the orders of the Railway Board conveyed in their letter No. 3167-F. of 10th May 1926 (copy enclosed for your information) are both specific and comprehensive and apply equally to all Railway lands situated within the Mysore State comprised in the Mysore State Lines which parenthetical term I am left with no option but to interpret as comprehending, *inter alia*, the Bowringpet-Marikuppam Section of line also.

2. I may add that this Administration, in the pursuance of its present practice, is doing no more than giving literal effect to the specific orders of the Government of India and is not in any position to modify such practices without the prior sanction of the same superior authority. If the Mysore Govenment are of the opinion that the generalisation or construction of the Government of India's orders call for clearer definition or circumscribed specification, the subject is one for reference to the Railway Board by the Government.

3. An acknowledgment of this letter is requested.

Copy of letter No. 3167-F., dated the 10th May 1926, from the Secretary, Railway Board, Simla, to the Agent, M. & S. M. Railway Company, Madras.

INCOME-TAX—MYSORE STATE LINES.

It has come to the notice of the Government of India that the Madras and Southern Mahratta Railway Company is paying income-tax to the Government of Mysore in respect of the profits earned by the company from the working of the Mysore State Lines and is collecting income-tax from its employees residing on railway lands in Mysore over which jurisdiction has been ceded. As by virtue of the grant by the Government of Mysore of full civil and criminal jurisdiction to the Government of India over the railway lands in Mysore comprised in the Mysore State Lines, the Government of Mysore is precluded from enforcing the Mysore Income-tax Regulation over these lands, I am directed to request that you will take steps at once to cease to pay income-tax to the Government of Mysore in respect of the profits of the Mysore State Lines and to cease to recover income-tax from the employees of the Madras and Southern Mahratta Railway Company on behalf of the Government of Mysore unless the employees are paid in Mysore territory.

Serial 9

Letter No. Pol. 822 E.-3—I. T. 14-32-7, dated 27th February 1933, to the Secretary, to the Hon'ble the Resident in Mysore, Bangalore.

Subject.—Mysore Income-tax on the profits of the Madras and Southern Mahratta Railway Company arising or accruing in Mysore, and on incomes of the Company's employees residing on Railway lands within the State.

I am directed to acknowledge the receipt of your letter No. 6598/335-1928, dated 28th September 1932, on the above subject.

It is stated in this communication that the Government of India are unable to allow this matter to be settled in favour of the Government of Mysore in advance of the general review of the Financial relations between Indian States and the Central Government. I am to state that the question under discussion is independent of the large and complex problem of the financial relations between the States and the future Federal Government and it is not right to treat it as part of that problem. The matter under consideration is a simple one and it relates to the application of the Mysore Income-tax Law to the incomes of the Madras and Southern Mahratta Railway Company and its employees arising or accruing in the State. It has more than once been pointed out, in the course of this correspondence, that the cession of jurisdiction over Railway lands, so far at any rate as this State is concerned, was for railway purposes only, and that the arrangement in no way affected the fiscal rights of this Government over such lands. The Government of India have themselves disclaimed any intention of obtaining a financial advantage from the cession. I am, in this connection, to invite attention to this Government letters No. Pol. 525, dated the 17th November 1928, para 2, and No. Pol. 1043, dated the 24th March 1930, para 6 (copies enclosed). It is only fair, therefore, to permit the fiscal laws of the State to be applied in respect of incomes arising or accruing in the State. But the position created by the orders of the Government of India is that that Government is taking away a tax due to this Government according to the reciprocity arrangement existing between the two Governments for determining the shares of income-tax and super-tax payable to them and for exempting assessees from the burden of double taxation. Such appropriation by the Government of India does not appear to be reasonable and is opposed to their own declared intention.

I am to request, in these circumstances, that the Government of India may be pleased to permit the Income-tax Law of the State to be applied in respect of the said incomes. If the Government of India are still not disposed to reconsider their view of the matter, it will become necessary to refer it to arbitration under the procedure laid down in their Resolution No. 427-R. Foreign and Political, dated 29th October 1920.

The objection of the Government of India to the operation of the Income-tax Law of this Government is in respect of Railway lands over which jurisdiction has been ceded. The jurisdiction over the Bowringpet-Marikuppam Line vests in this Government (*vide* letter No. 5962, dated the 20th August 1915, from the First Assistant to the Hon'ble the Resident in Mysore to the Dewan), but in spite of this fact, the Chief Accountant and Auditor of the Company, has declined to submit returns necessary for the assessment of the Company's income from this line, or to collect on behalf of this Government the tax due on incomes of its employees residing on the Railway lands. A copy of his letter No. B. 51227, dated 21st November 1932, to the Special Deputy Commissioner of Income-tax, Bangalore, is enclosed for information. The view taken by the Chief Accountant and Auditor is obviously incorrect and I am to request that necessary instructions may be issued to him to comply with the requisitions of the income-tax authorities of this Government.

WD 605—GPB—50—17-1-34.